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currency, limited liability...

London

1856

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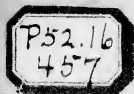
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BANK OF ENGLAND CHARTER,

CURRENCY,

Limited Liability Companies,

AND

FREE TRADE.

By EDMUND PHILLIPS, Esq.,

Author of *Letters on the Currency, &c.*

LONDON:

RICHARDSON BROTHERS, 23, CORNHILL;  
MANN NEPHEWS, CORNHILL;  
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## BANK OF ENGLAND CHARTER,

&c. &c.

### CHAPTER I.

"Had every particular Banking Company always understood, and attended to, its own particular interest, the circulation never could have been overstocked with paper money."—SMITH'S WEALTH OF NATIONS.

"——— Now will I play the touchstone,  
To try if thou be current gold indeed."—SHAKESPEARE.

THE most wonderful thing in these present very wonderful and most enlightened times, when the liberties and equal rights of the people are so fully understood, and so clearly defined, is the existence of any monopoly in these kingdoms; but more particularly of that stupendous and mischievous monopoly created by the Bank of England Charter.

As, however, the masses of the people know nothing of the subject, and even the ordinarily well-informed classes in other respects, consider it much above their comprehension, we perhaps ought not to feel so much surprise that no reform of this institution has yet been attempted, particularly when men swear by the Bank, and say, "As safe as the

Bank of England," "As good as the Bank," &c., &c. : but to which it might be replied, in the words of the immortal Shakspeare,

" ——— Plate sin with gold,  
And the strong lance of justice hurtless falls;  
Clothe it in rags, a pigmy's reed doth pierce it."

It cannot too be denied more than it is to be regretted, that there are many Statesmen, Bankers, and Capitalists, who fancy they find either their own pecuniary interest, or their personal ease, in keeping this question of Bank Reform as obscure and mysterious as possible; and the Charter so supported by ignorance on the one hand, and selfishness on the other, seems as strong as Sebastopol, and he must be a bold man who dares venture alone to attack it. Still, a simple truth combined with honesty of purpose, may sometimes prevail against greater odds than these. A review of the different bearings which this Act has had upon the industry and welfare of these kingdoms, may not be without benefit.

In the first place, it may be worth while to extract from Sir JAMES GRAHAM's pamphlet, published more than twenty years ago, during the agitation for a repeal of the Corn Laws, a very beautiful commentary on monopolies in general, and on the one now under consideration in particular. It runs thus:—"That as we must have free trade in corn, let us have also a free trade in money, and destroy that fatal connexion between the Government and a single Chartered Bank: a connexion that facilitates the prodigality of the

ministers, and invests an irresponsible body with the most delicate and most important functions of the state—the control over the circulating medium. Nor will it be wise to stop at this point. When the landowner gives up his monopoly for the public good, let not the East India Company, nor the West India Proprietors, be suffered for one single day to retain the full enjoyment of their exclusive privileges. Shall the consumer be forced to pay an exorbitant price for his tea and sugar, in order that particular interests may be benefitted? and shall the nobility and gentry of these realms, the owners of the native soil, alone be sacrificed? On the contrary, let us adopt the sound principles of Free Trade, but let us not limit their application to the staple produce of our land; let us destroy the heavy duties on timber, which, at the expense of every man building a ship or a house in the mother country, are at best but a paltry premium to the colonies. It is not the price of bread alone which is a check to our industry; on the contrary, I am well convinced that the effect of this is insignificant compared with the weight of taxation to which I have here alluded. The experiment of the destruction of monopoly in one branch of industry, while it is suffered to exist with unabated force in another, is an outrage on even the semblance of justice; it is the shifting of the burthen from the protected to the unprotected, from the strong to the weak."

A speech, too, of the Marquis of LANSDOWNE,

in the House of Lords, in 1797, is also worthy of being recorded in this place, wherein he clearly foresaw, and powerfully depicted, the evil consequences of making Bank-notes a legal tender: and he concluded his speech by a most emphatic and startling appeal, telling the House to mark his prophecy, and not to disdain his counsel while yet in time, "for," said his Lordship, "if you attempt "to make Bank-notes a legal tender, then credit "will perish: they may go on for a time, but the "end is certain ruin, for," added he, "credit is to "the people of Great Britain what the soul is to "the body; it was not property, for no man could "call it his own; it was not the King's credit, nor "was it the credit of Parliament: it was public "credit, which did not look to security alone as its "basis, but always connected security with *punctuality*."

That first-rate statesman, Sir ROBERT PEEL, also doubtless saw the evils that might arise from making Bank-notes a legal tender, without gold in the Bank's coffers to pay them on demand; and he did all that he conceived to be in his power, or in the power of the country at that period of his legislation, to remedy the evil, when he *limited the quantity of notes* which should at any time be issued by the Bank, to fourteen millions over and above the quantity of gold in its cellars. He certainly did not see his way clear to have entirely a gold currency: but had he known that California and Australia would be the means of supplying from twenty to thirty millions of this precious metal yearly, there can be no

question, from the whole course his legislation took, that he would not have hesitated at once to declare the necessity of having no notes issued, which promised to pay in gold on demand, unless *that* gold was in the Bank cellars to redeem them when called for.

Referring again to Sir JAS. GRAHAM's pamphlet, it will be seen that all the other monopolies which he so ably denounced have ceased to exist. The Corn Laws, East India Company's Trading Charter, West India Protection on Sugar, and Protection to Canadian and Colonial Timber—all have gone, never to return, excepting this one great dragon monopoly, the Bank of England Charter, which, like Aaron's serpent, seems to have swallowed up the others. The reason that this Bank Charter still exists as a monopoly may perhaps be found in the fact, that this subject is scarcely ever brought to the level of common sense: it gets enveloped, like Homer's deities, in so much fog, and mystified by so many abstract questions about currency, which, with their abstrusities and absurdities are immediately brought into the discussion, to blind the understanding and mislead it from the simple question of fact. Moreover, people generally are so silly as to conceive that in paper-making they make money. The more this Charter is contemplated the more contradictory it will be found, and the more decidedly in *opposition to free trade*. It not only counteracts the benefit of free trade, but it tends to make it a curse instead of a blessing; for the depreciated currency created thereby so enhances the

price of all produce, that *the foreigners get the duty, or an increased price equivalent to it, that used formerly to go as revenue to this kingdom, and was paid at the Custom House.*

Apart from the acknowledged principle that all monopolies should be abolished, history affords no example of a bank, conducted as the Bank of England is, ever leading to good results. The only at all parallel case is that of the Bank of Venice, which lent all its capital to the state, for the purpose of carrying on aggressive wars against its neighbours; and so parting with its capital, used paper money in its place. The end of this establishment is thus summed up by the historian:—  
 “That such was the illusive and insidious nature of that Bank, that it increased in popularity in proportion to the extent of the derangement which it produced; yet such was the fortuity of circumstances, that for several centuries its integrity does not appear to have been doubted, until its *agio*, or difference between paper and gold money, reached thirty per cent. and over, when the senate found it necessary to make an edict that the bank-notes should not fall below 20 per cent. discount, and to make it imperative upon the people to take them at that rate. This disrepute of the Bank continued without any amendment until it was finally broken up.”

The history of the Bank of England is only short, being comparatively a modern invention. It was first established in 1694. Prior to this period all the commerce of the country had in-

variably been carried on by the precious metals. The subscribed capital of the Bank was £1,200,000, which was all lent to the Government at the rate of 8 per cent., and a commission also for receiving and paying this dividend to its shareholders, besides the privilege of making notes. The system was found so profitable that the proprietary increased their capital at different times, until it attained its present magnificent proportions of £14,000,000! The whole of this, as in the first instance, has been lent to the Government, at various rates of interest agreed upon; and the Bank has the privilege of making another capital of equal amount out of paper, to trade with, or to lend again upon other Government securities. What amount of money was really subscribed to make this large capital, or what part of it was capitalized from accumulated profits, it is scarcely worth while to inquire; but it is printed in the returns made to the House of Commons, that in seven years only, viz., from 1799 to 1806, no less a sum than £3,700,000 was divided amongst the shareholders as bonuses, independently of a large dividend! This, however, is a mere trifle compared with the immense profit which the Bank has made out of the people by direct and indirect means.

The Bank thus went on substituting paper for gold, and was more or less the sole monetary agent of the Government; or rather, we might say, became a fourth estate of the kingdom, as thus—King, Lords, Commons, and Bank of England. The system too for those days seemed to work pretty

well until the great wars of 1797, when it was obliged to suspend cash payments altogether; for it had only £1,272,000 in gold, wherewith to pay about thirty millions of liabilities. This suspension of cash payments lasted for upwards of twenty years; and during this period it was necessary to give from three to eight shillings with a one-pound note, to make it pass for a guinea or twenty-one shillings.

We now come to another important period in the Bank of England's history. Sir ROBERT PEEL conceived the idea, and saw the necessity, of making the Bank again meet its notes in gold on demand, as before 1797, and this he carried out by the celebrated Act of Parliament of 1819. This enactment merits particular attention; for it may be asked, how the Bank found the gold at the suggestion of Sir ROBERT PEEL and the will of Parliament? The answer is, by calling in its notes: for at this date, March 31st, 1819, the liabilities of the Bank stood thus—say, notes in circulation £24,710,770, and deposits £9,237,790. Now as this Act was prospective, and was not to come into force until 1823, it gave sufficient time to the Bank to contract its issue of notes, so that in 1822 we find less than seventeen millions issued. This operation so depressed the money value of all the products of the land, and also of industry, that foreigners came to England as the cheapest market to buy in. Gold of course returned with extraordinary velocity, so that in the years 1821 and 1822 nearly fifteen millions of gold was re-coined at the mint; and the Bank commenced

paying in gold long before the maturity of the Act of Parliament which made it imperative to do so.

This difficulty being surmounted, and the practicability of complying with the Act of 1819 being clearly demonstrated, the Bank Directors soon thought that it would not answer to have so much gold idle in its cellars, although it might be considered by reasonable people, that if its representative was being carried about in the people's pocket in the shape of notes, that this gold could not be considered idle: for though the body was in the cellar, its spiritual essence was fully employed. However this may be, the Bank again gave vent to its cupidity and sent out its notes freely, so that in 1824 we find its issue had increased to upwards of twenty millions. The Country Bankers following this example, increased their issues also from four to eight millions, thus together adding seven millions of notes to the circulation within two years.

These notes not being really required for commerce gave great temptation to speculators. The first effect of this abundance of money, as it is called, was to depreciate its value, so as to enable the Chancellor of the Exchequer of that day, to convert the Four per Cent. stock into a Three-and-a-Half per Cent. This was done by the Bank putting out its notes for the purchase of this stock, and so raising its price considerably above par. The remainder of the operation is too long to explain here, but it is well understood by all parties connected with the monetary affairs of the kingdom.



This money, or *these notes*, being thus sent into circulation, and not being wanted for legitimate trade, were again deposited in the Bank; and they were again issued, either in buying more of the national debt, or else in the form of loans to the public upon stocks, bills, or other securities; so that money was popularly spoken of as being worth nothing. All descriptions of produce went up in the several markets to an inconceivable degree, approaching to romance: even spices rose one or two hundred per cent. in the course of a few weeks, and merchants who had stocks of any article found themselves hundreds or thousands of pounds richer in the afternoon than they were in the morning. But even this prosperity tired, and was found unequal to carry off the plethora of money, and then all sorts of Joint-Stock Companies were set afloat; butchers and bakers, pawnbrokers and washing companies, with Foreign and English mines, and every conceivable scheme, found supporters. Railways, which have since been blamed under similar circumstances, were then unknown. One mine in particular may be noted, amongst many others, where a £500 share was sold for a premium of more than £1300; but which has since been sold at the Stock Exchange, capital and premium together, for £5! All the world indeed went mad through this excess of paper, and sudden addition to the circulating medium.

And now comes that melancholy and oft-repeated tale, the panic, which immediately followed this excitement, and which was thus brought about.

Gold being demanded abroad to carry out all these wild schemes, and to pay the balance of trade thus created against this country by the inflated and enhanced price of all imported merchandise (for be it remembered that paper will not pay the foreigner), the Bank found out that everybody was overtrading, and reprobated the conduct of all the merchants, instead of blaming itself for having first depreciated the currency, *and indeed debased it; for if paper be added to gold to double or treble the quantity of money, the currency is as much debased as by the addition of so much iron or copper.* Still the people were so blind as to believe that the Bank did no wrong, and rather praised that institution for bringing the nation out of the difficulty: but much upon the same principle did the Bank deserve praise, as a man would who should throw another into the Thames, and afterwards draw him out half-drowned. Let the blame, however, lie where it may, it is on record that seventy-nine Banking Establishments suspended payment; and upwards of a thousand merchants, as well as hosts of smaller tradesmen, most of whom either compromised with their creditors, were declared bankrupts, or passed through the Insolvent Courts, all within the course of a few months after the Bank began to retire its accommodation from the public, by which it was estimated that nearly half-a-million families were brought to the verge of starvation! The Bank itself was as near as possible being obliged again to suspend cash payments; and this it must have done but for the accidental discovery of some boxes of

one-pound notes, which had been called in, but were not destroyed.

The panic being thus stayed by the ruin of half the traders of the kingdom, who had been made to pay the difference between paper and gold—for they had bought in one currency, and were obliged to sell in the other—all enterprise was for a time destroyed, so that no merchant dared to import anything for fear prices might be still more ruinous. The value of our own productions also fell to such an extent, as to make this country the cheapest market in the world. This of course brought foreigners here with their gold once more; so that by our not purchasing from abroad to the usual extent, and by selling double of our own manufactures the precious metals again came back.

The nation with its usual elasticity and industry, shrugged its shoulders and again set to work, the people being then, as now, blind to the insidious character of the Bank's operations; and indeed it must be confessed that the people really thought *they* had been to blame.

From 1826 to 1830 the gold continued to flow back, and the Bank to extend its issues of paper, *which*, in connection with a bad harvest, brought on a little panic in 1832 and 1833: but another great go was in store for 1837, when a dreadful convulsion again took place from the over issues of the Bank being demanded to be paid in gold. The immediate and palpable cause at that time was American overtrading: the failures which daily took place were truly frightful; and altogether the de-

falcations announced, summed up to the enormous amount of ten millions! But the question was, who was to stop?—the Bank, or its customers?

SIR ROBERT PEEL now no doubt looked upon these convulsions in trade with the eye of an accomplished financier and statesman, so that when the renewal of the Bank Charter came again to be discussed in Parliament, he brought in his Bill of 1844. This Bill limited the amount of notes which the Bank of England, as well as the Country Banks, might at any time be permitted to issue without gold; and it fixed the Bank of England at fourteen millions, and the Country Banks at the average or minimum of their previous issues. It was also enacted, that if at any time any Country Bank should cease to issue notes, the Bank of England might fill up their place in the circulation with its own notes to the extent of two-thirds only. Sir ROBERT PEEL no doubt thought that by *limiting* the amount of paper to be manufactured into money, he had now done away with panics; but, lo and behold! this paper was put out by the Bank, whether the trade of the kingdom required it or not; and the currency became again depreciated: the Bank bought (as well as lent money on) consols, and the stocks (Three per Cent.) were again forced up above par. Money was again considered worth little or nothing in the discount market, and all kinds of schemes were again set afloat to get rid of it; but particularly railways, which were more convenient securities for the Stock Exchange and monied people to speculate in, than Tea, Sugar, Spices, or any kind of merchandise:

and not satisfied with making railways all over this kingdom, French, Belgium, German, and any foreign lines, were eagerly sought after, and in the same spirit of speculation as in 1825-26.

And now came the short harvest in 1846, and the Irish famine, when a little real money was required to buy food. Still capitalists did not take alarm, but speculation followed Corn also, the plethora of money being so intense. Numbers of merchants, not seeing the true position of the Bank, that it could not turn its notes into gold on demand; and that a panic must ensue as soon as gold was found to be leaving this country, ordered five or ten times the quantities of Wheat, Flour, &c., which they could pay for, thinking that they could at any rate get the notes as usual: but here was, and still is, the curse of the country:—*notes must be cancelled when money is wanted*; and the foreigner in the then state of the country had to be paid in gold, as we were buying everything, and selling comparatively nothing.

The Bank having therefore to pay its notes in gold on demand, was obliged to withdraw its usual facilities not only from speculators, but also from legitimate commerce, and at a time when fifteen or twenty millions of money more than usual was required to buy food for the people. The result was, that the merchants bought Wheat, Flour, &c., at a depreciated paper standard, and sold it again at a gold value, whereby they were nearly all ruined *once more*; and the foreigners were in this way paid from seven to eight millions more for the food, than they would

have been paid, if we had had a gold currency when we first made our purchases. This may not seem clear to everyone until it is remembered, that Mark Lane rules the value of breadstuffs all over Europe as well as in America; and that when money is generally plentiful, and with a known short harvest, the price of Wheat is sent up thirty or forty shillings per quarter in a single month: that this advance in price is daily or weekly advised by the London agents to all foreign countries; and that the price at their several shipping ports invariably rises in proportion thereto, so that the foreigner gets all the benefit of the high price. Be it observed then, that within twelve months Wheat rose from 50s per qr. to 120s.

The distress and commercial panic in 1847 has a *parallel* in only that of 1825-26. The credit of the kingdom was totally destroyed for a time; scarcely any British merchant could get credit abroad, and confidence was only restored by the revolutions all over Europe the following year, when capital flowed back for political safety. We will now look at the position in which the Bank of England stood, before and after this awful panic of 1847, taking first the Gazetted Official Statement, in September, 1845. To simplify this statement, it will be better to make one account of it, instead of two accounts, which was Sir ROBERT PEEL's plan, viz.—one for issue, and another for Banking. This is much the same as a man opening accounts, one for his right-hand pocket and another for his left-hand pocket; and serves only *to lead* to a deal of mystery, enabling those who are determined to

defend the Bank, to shift the blame first from one account and then the other. It also enables the Bank to send out its notes two or three times over, as will be seen as follows:—

GAZETTE, SEPTEMBER, 1845.—BANK OF ENGLAND.

Dr.		Cr.	
Notes issued .....	£29,009,005	Government Debt .... £11,015,100	
Capital .....	14,553,000	Do. other Do..... 2,984,900	
Rest .....	3,588,888	Government Securities 13,347,570	
Public Deposits .....	5,830,311	Other Do. .... 11,712,811	
Private do. ....	8,571,253	Notes in hand .....	7,959,390
Seven-day Bills.....	1,059,606	Gold and Silver .....	15,592,292
	<u>£62,612,063</u>		<u>£62,612,063</u>

By this return it will be perceived, that the Bank had lent, and was receiving interest on, the following sums, say:—

Government Debt.....	£11,015,100
Ditto other ditto .....	2,984,900
Ditto Securities .....	13,347,570
Private ditto .....	11,712,811
	<u>£39,060,381</u>

This might be considered as making a very free use of fourteen millions of money, particularly when the obligation of the Bank was to pay all its notes or liabilities in gold on demand, and that the whole of its capital of fourteen millions was lent to one debtor (the Government), from whom it could not in return demand one single sovereign to meet the public requirements. These liabilities were as follows:—

Notes issued .....	£29,009,005
Public deposits .....	5,830,311
Private do. ....	8,571,253
Seven-day Bills .....	1,059,606
Payable in gold, on demand.....	<u>£44,470,175</u>

Against which it will be seen that the Bank held only,

Gold and Silver.....	£15,592,292
Notes.....	7,959,390
	<u>£23,551,682</u>

But this appears to have been thought by the Bank Directors much too safe and unprofitable a position for them, although their capital was employed nearly three times over; and when they had not half enough gold to face the legal demand, had this article come into urgent request from any commercial or political convulsion. We accordingly find that in March, 1846, the Bank had increased its liabilities, as follows:—see *Gazette*, March, 1846.

BANK OF ENGLAND.

Dr.		Cr.	
Notes issued .....	£27,015,295	Government Debt.... £11,015,100	
Capital .....	14,553,000	Do. other do..... 2,984,900	
Reserve .....	3,689,430	Do. Securities .....	13,136,440
Public Deposits .....	6,296,535	Private do.....	23,242,035
Private do.....	18,647,068	Notes in hand .....	6,994,485
Seven-day Bills .....	947,432	Gold and Silver.....	13,775,800
	<u>£71,148,760</u>		<u>£71,148,760</u>

By this statement it will be seen that the Bank had employed, and was receiving interest at this date, the following sums:—

Government Debt.....	£11,015,100
Do. other do.....	2,984,900
Do. Securities .....	13,136,440
Private do.....	23,242,035
	<u>£50,378,475</u>

The Bank was thus receiving interest on fifty millions of paper, without any capital of its own to

fall back upon, in case any demand for gold should arise: for the Bank's capital, as before named, had been all lent to the Government. The Bank, then, was in the same position as any individual who, upon commencing business, first lends all his capital to his friend, and then trades upon credit; the only difference being, that Parliament gave the Bank the power to create a surreptitious capital out of quires of paper, in lieu of the money thus lent, and also made it imperative upon the people to take these notes as money.

This depreciation of the currency of course produced speculation and high prices, so that the country was buying everything and selling little. And now at this time, 1846, came the deficient harvest and Irish famine. It was not long before the Bank directors saw pretty clearly, that large quantities of gold to pay for foreign food and breadstuffs would be wanted, and therefore the sooner they got back these notes from the public, the better it would be for the Bank's own safety. This operation went on continuously from that time to the end of October, 1847, when we find the Bank's position stated in the *Gazette* thus:—

## OCTOBER, 1847.—BANK OF ENGLAND.

Dr.		Cr.	
Notes issued . . . . .	£21,865,445	Government Debt . . .	£11,015,100
Capital . . . . .	14,553,000	Ditto other ditto . . .	2,984,900
Res . . . . .	3,514,435	Ditto Securities . . . .	10,899,707
Public Deposits . . . .	4,766,394	Private ditto . . . . .	19,467,128
Private ditto . . . . .	8,580,509	Notes in hand . . . . .	1,547,270
Seven-day Bills . . . .	947,013	Gold and Silver . . . .	8,312,691
	<u>£54,226,796</u>		<u>£54,226,796</u>

By this return it will be seen, that the Bank had reduced its liabilities between March, 1846, and October, 1847, nearly seventeen millions, and had contracted its accommodation (as it is called) to the public, six millions; so that as soon as a want of food was felt, in 1846, the notes were withdrawn from circulation.

It will also be seen, that although the Bank's gold and silver were reduced to £8,312,691, it was still liable to have to meet the following items in gold, on demand, say:—

Notes issued .....	£21,865,445
Public Deposits .....	4,766,394
Private ditto .....	8,580,509
Seven-day Bills .....	947,013
	<u>£36,159,361</u>

—a very unsafe and unbusiness-like position to be placed in. However, at this date the Bank was receiving interest on the following, say:—

Government Debt .....	£11,015,100
Ditto other ditto .....	2,984,900
Ditto Securities .....	10,899,707
Private ditto .....	19,467,128
	<u>£44,366,835</u>

This return also shews six millions less of notes in circulation, when money was required to buy food, than the Bank had out in March, 1846, when there was no need of them: and besides this, the power of the Bank for lending was still more diminished by five millions of notes; for it had in its till in March, 1846, £6,994,485, and in October,

1847, only £1,547,270, together making a difference of eleven millions of circulation between one year and the other. The consequence was, excessively high prices in 1846, and low ones in 1847, that produced failures amongst the mercantile community to an incredible amount, and likewise a reduction in the nominal value of property in this kingdom of fully 500 millions. Greater disgrace could not befall any country than that which happened to England at that unfortunate time.

We will now see the effect which the various quantities of Bank-notes issued, had upon the value of the National Securities; for which purpose we will take the Three per Cent. Consols, and compare their price with the amount of notes issued at three separate dates :—

		£	Consols.
1845.—March.	Bank-notes issued.....	28,679,520	100
1846.—March.	Ditto ditto .....	27,015,295	95½
1847.—October.	Ditto ditto .....	21,865,445	80

The same or greater fluctuation was observable in almost every article of trade. Thus, for instance, Wheat, which in 1846–47 reached 120s per quarter, at the end of 1847 fell to 50s per qr., and Indian Corn fell from 75s to 30s per qr. Many mortgagors were called upon to redeem their property, or to sell it at ruinous rates: amongst them were the poor builders, who were nearly all deprived of every shilling they had, as were also their friends, and every tradesman who had trusted them. Still the Bank made larger profits than ever, having raised its charge for money from three per cent. per annum to eight per cent., and thus by loaning only

44 millions, realised larger dividends than when it loaned 50 millions!

We will conclude this chapter with an analysis of the Bank of England's returns, published in the *Gazette*, on Friday, the 29th March, 1856, this current year, dividing the statement into two heads, viz. Issue, and Banking department, as directed by the Act of 1844 :—

## BANK OF ENGLAND.—ISSUE DEPARTMENT.

Dr.			Cr.
Notes .....	£24,221,825	Government Debt ....	£11,015,100
		Ditto other ditto ....	3,459,900
		Bullion .....	9,746,825
	<u>£24,221,825</u>		<u>£24,221,825</u>

## BANKING DEPARTMENT.

Dr.		Cr.	
Proprietors' Capital ..	£14,553,000	Government Securities. £11,951,006	
Rest .....	3,813,664	Private ditto .....	18,425,297
Public Deposits .....	5,638,865	Notes in hand .....	5,836,745
Private ditto .....	12,107,043	Gold and Silver.....	625,886
Seven-day Notes ....	726,362		
	<u>£36,838,934</u>		<u>£36,838,934</u>

Why the accounts are put separate is not very clear; it looks like keeping an account with left and right-hand pockets. If the notes were not made in the issue department, they would not be found in the banking department; for supposing any further quantity of notes were issued, they would still be found in the banking department, unless re-issued from thence upon public or private securities. This statement is much more intelligible, when both accounts are put into one, viz. :—

## BANK OF ENGLAND.

£s.		£s.	
Notes issued .....	£24,221,825	Government Debt ....	£11,015,100
Capital .....	14,553,000	Ditto other ditto ....	3,459,900
Rest .....	3,813,664	Ditto Securities .....	11,951,006
Public Deposits .....	5,638,865	Private ditto .....	18,425,297
Private ditto .....	12,107,043	Notes in hand .....	5,836,745
Seven-day Notes ....	726,362	Gold and Silver .....	10,372,711
	<u>£61,060,759</u>		<u>£61,060,759</u>

This return is about the average of the weekly returns at the present time, and shews that the Bank is liable to be called upon to pay the following sums in gold :—

Notes issued .....	24,221,825
Public Deposits .....	5,638,865
Private ditto .....	12,107,043
Seven-day Notes .....	726,362
	<u>£42,694,095</u>

But the Bank having in its banking department £5,836,745 of notes, this liability will be reduced by that amount, or to about thirty-six millions, for which gold might be immediately demanded; and to meet which, all the bullion and coin which the Bank has in its possession is shewn to be only £10,672,711 ! This is not 5s in the pound ! If a merchant were to sell four times the quantity of any article he had or could get, upon the assurance that he might not be asked for the goods all at one time, he would be thought a rogue; or if a farmer were to sell 50 stacks of wheat, taking payment for them, when he had only five stacks in his possession, and did not know where to get any more, he would be in the position that the Bank is at this time. It is exactly this principle, or want of principle, which

makes dishonest people incur debts, taking the doctrine of chances that everybody will not press for payment at one time; and whilst the Bank Charter is allowed, it is too bad to punish insolvents for breaches of engagement.

It is further apparent to any business man, that if only three millions of this money was demanded of the Bank, by any capitalists, whether under the influence of a demand for trade, or foreign governments, or political alarm; there would arise an immediate convulsion similar to those never to be forgotten panics of 1825, 1837, and 1847, that would destroy the credit of the entire kingdom.

It is also worthy of observation, that the Bank was, at the above date, receiving interest on £26,426,006 of Government debt, and Government securities, (upwards of one million per annum) for which it had given nothing but paper, excepting only also the cost of printing and stamps.

The position in which the Bank under such circumstances stands with the Government, may perhaps be better understood, by supposing, instead of that mysterious and immaculate Bank, the substitution of some other name or an individual—say ROTHSCHILD or BARING; and if we were told that the Government borrowed of either of them the sum of fourteen millions, and paid interest for the same; and that it afterwards gave them the power of re-coining this money out of paper; and then borrowed once more this sham money, and paid interest for it again, to the extent, together, of more than one million of money yearly; should we not

say that it was too prodigal and ridiculous to be tolerated for one single day? Besides it might be asked, why did not the Government itself make this artificial money, and so save this enormous weight of taxation? The only argument in favor of the Bank of England's issue is, that these notes have the country's credit as security! If then the credit of the country is the basis of value, why should not the country issue its own notes?

But notes ought not to be issued at all, except upon the basis of the precious metals. Now it cannot be too often brought to notice, that this Government is always paying interest to the Bank on twenty-six millions of notes, and the nation is taxed accordingly; first, by the interest on this sum; and secondly, by the derangement of trade caused by the issue of so much paper; the inflated high prices when gold is not wanted; and by the ruinous depression that overtakes every article of commerce, and every trader, when these notes have really to be paid in gold.

Let us here ask the question—Why is the Bank to reap all the profit of a paper currency, and the country to endure all the derangement and loss occasioned by it? If paper is a necessary evil, let the country make it, and have the profit also. Still there are some writers on this subject who argue most illogically, that we have already a gold currency. This is to controvert the first axiom of Euclid that boys learn at school, viz., “that the whole is greater than a part;” by which rule a part cannot be equal to the whole.

## CHAPTER II.

It is a favorite argument with those who advocate the present Bank-note system, represented only in part by gold, that the increased population and trade of this country require more circulation than formerly, and for a gold currency, more gold than the whole world can supply. But to such reasoners the question might be asked, why this increase of circulating medium is required? Is it to buy goods of foreign countries? or is it to carry on our internal trade amongst our own people? If it be answered, that money is required to pay for foreign produce, then it is clear that it is gold or silver which is wanted, and not notes. If it be said that increased currency is required to carry on our internal trade, then facts and experience are demonstrably against them; for the Banking facilities are so improved and extended all over the kingdom, that in paying an account from merchant to merchant, or from gentleman to tradesman, or from corn dealer to farmer, scarcely any money is ever seen or wanted, the payment being made by a cheque upon the Banker of one, and paid to the Banker of the other. In ordinary times, like the present, there is no necessity to hoard up money at home, for nearly all respectable parties send their spare money to the Bankers. Neither have the guards of mail coaches under their care, the tens and hundreds of thousands which they formerly had for many days in transit, because the railways now take any amount of money from



one part of the kingdom to the other, in the course of a few hours. And nothing shows the fallacy of money being wanted for internal trade more than the clearing house in the City of London, where the Bankers or their Clerks meet in the afternoon, and exchange the cheques and bills of their customers; and thus several millions of money change owners without there being one pound more or less in the City at night, than there was in the morning: all is settled by the actual presence of not more than fifty thousand pounds. There are also many accounts paid through the agency of the electric telegraph, by directing one Banker to pay money to another. It will be seen, then, that money is more economised than ever; while the improved system of Banking continues so to extend itself, that in a short time there will scarcely be an idle pound in the kingdom; consequently, instead of more money being wanted, it will be found that considerably less than this country had fifty years ago will be sufficient for even its greatly increased *internal* trade. Now, in respect to the bullion which comes into the kingdom, the official returns of the Custom-house shew, that during the last five years 115 millions of gold and silver have been imported:

## IMPORTS OF THE PRECIOUS METALS INTO GREAT BRITAIN.

	Gold.	Silver.	Total.
1851 . . . .	11,500,000	5,000,000	16,500,000
1852 . . . .	15,500,000	6,000,000	21,500,000
1853 . . . .	21,000,000	7,500,000	28,500,000
1854 . . . .	19,800,000	5,500,000	24,300,000
1855 . . . .	17,300,000	6,600,000	23,900,000

£114,700,000

This ought to be considered *too great* an increase of capital, or at any rate a sufficient one for any purpose, were it not driven out again by our debased circulation of notes. Upon the same system, if double the quantity of gold were to be imported, this country would be still poorer, and would retain no more than it now does; for the *present Bank-note system embraces all the evils which can be imagined, both of a paper currency and of a gold one*: it makes money plentiful when it is not wanted for any legitimate purpose, and thereby gold gets driven out of the kingdom, so that when any national calamity arises, such as a famine, or a war, no real money is to be had. *These fourteen millions of notes represent the whole gist of the Bank Charter question, and they, without doing any good, only act as a lever to derange the value of all property*; so that when gold is likely to be required in lieu, or in payment of *them*, the nominal value of property in these kingdoms is reduced at least five hundred millions sterling!

These notes, or this money as they are called, can be nothing in themselves, or how has the Russian War been carried on, which at a guess cannot have cost less than sixty millions? It cannot be argued that this payment was sixty millions of notes: certainly not; it was at least one-half real money; the other half did not leave the kingdom, but was represented by cheques or bills, as before described, in the several purchases that were made by the Government from our own manufacturers and providers.

These Bank-notes lead to nearly all the gambling on the Stock Exchange, and to half the failures in the commercial world; and they entice into the arena of stock-jobbing large and respectable classes of the people, who, really knowing nothing of the subject, are tempted by the rise and fall of the public stocks and shares, thus brought about by the Bank-note enlarged issue or by its contraction.

These notes have imparted a value to land and produce in the backwoods of America—a value which it would have taken a century to acquire in any other way. Nor would it be saying too much, however ridiculous it may seem, that a return to a real gold currency would be the means of making the United States much less pugnacious than they at present appear.

In reviewing the change that has taken place in these kingdoms within only the last twenty years in reference to the legislation and to population, and in comparing the past with the present, there may not have occurred to the minds of all political economists the immense increase of our trade with other countries, particularly as relates to food for the people: and that, consequently, a system of currency which was suited to the past may not be adapted to the present times.

When we look back at the many heavy protective, and prohibitive duties, as well as at those simply for revenue, that were imposed on foreign productions:—when we consider that in a state of war we had the half of Europe closed to us altogether—also, that our population was so small that these king-

doms yielded in themselves sufficient food without the assistance of any foreign country: that the people generally lived more at home, and neither required travel, nor the large extent of foreign luxuries, which have become of late years necessities: it can easily be seen that *any* sort of currency would suit the wants of such a people. If the farmer received a high price for his corn, he paid high rents to his landlord, and the money was spent at home. But now, in this cosmopolitan state of England, the scene is entirely changed. We find, first of all, Free Trade, and a very large trade, opened in every description of goods, of the protected as well as prohibited. We also find that these kingdoms cannot feed their population; and that ten per cent. of their annual consumption of Bread and Meat has to be bought of the foreigner; and that Wheat, Flour, Grain of all kinds, Cattle, and every description of fresh and salted Meat, also come into them free of duty.

Our people, moreover, have become so familiar with the Continent that immense numbers cross the channel (and spend their money there), with as much facility as they could formerly reach Brighton or any of our own seaports. We have steam vessels constantly going to and fro to every Continental port of Europe, and all bringing supplies of food or luxuries to the kingdom. The whole scene, therefore, is changed; and as we have become such wholesale buyers of foreign produce, it behoves statesmen to make such alterations in the currency, and to prevent it being debased, as will enable

them to buy on the best possible terms. The terms in common life which have always been considered most favourable, are found by experience to be those of ready money ; for independently of other advantages, a man when he pays ready money seldom or never buys what he does not want, nor more than he wants ; but when he buys at a long credit, or even by a short bill, he is apt to speculate, and perchance to forget the day of payment.

What is true of individuals in this case may perhaps be applied to nations ; and it may be found, that if England has a large inflated and depreciated paper currency, that she is more apt to enrich the foreigner at her own expense than she imagines. It might be curious to ascertain how much British money has gone to Germany and elsewhere, the past year, for only meat for the navy ; and also the extravagant prices which were paid for it.

Is it to be supposed that this money will come back again ? Will it not rather go towards enriching foreigners ? This capital, being added to other sums as carelessly thrown away or wasted, may enable foreigners to increase and extend their manufactures, and so to oppose England in other markets. This may or may not be the case ; but it is beyond controversy, that the whole Continent of Europe possesses large manufactories now, where twenty years ago it had comparatively none. What magic is there in England, that she is to be alone the manufacturer of the world ?—The foreigner works cheaper, because he can live at one-half the cost of an Englishman ; and this is an important feature,

as labour forms a large item in the cost of manufactures. The foreigner is thus enabled to undersell this country, and it may be deduced, will ultimately deprive it of its best customers all over the world. And now let us ask the manufacturers of England, whether they do not find themselves so interfered with ? The only advantage that England possesses in this competition, is that of her known wealth. It therefore behoves this country to husband this wealth, and to have such a currency that her money may not be wasted ; as every pound which is wasted may be used against her at some future time. The only currency suited to this emergency is a gold one. This is understood better in the United States : the Americans, knowing that their large paper circulation is incompatible with free trade, impose heavy duties upon all foreign productions, fearing that without this restriction upon imports, there would not be a single metal dollar left in the whole Union.

*England, therefore, in the position which she occupies, must not look upon London alone as her Capital ; but in a financial point of view she must regard herself as the Capital of Europe.* Any currency that is unfit for general circulation, and that will not be taken as money by all countries, at all times, is useless. Formerly any legislation which produced low prices, was excused by Political Economists upon the principle that individual loss was national gain : by the same rule, *high prices*, although they may make a very few individuals rich, must lead to national loss.

This Bank Charter has so destroyed the credit and respectability, which were formerly associated with the name of a British Merchant, and has made such melancholy examples of monied individuals who have embarked in trade, that the Legislature has commenced passing laws for Limited Liability Companies. It has been found out that however much money might be embarked, and whatever profits might be made for six or seven years (five hundred or five thousand pounds per annum), in the course of a year or two further on, the concern was stripped of all it had made, capital as well as profit, and found its way into the *Gazette*, by the mysterious alterations in the value of money. Such ruin was certain to ensue, whenever the Bank should find itself called upon to fulfil its obligation to pay its notes in gold on demand: then the innocent trader found out, to his surprise, that his property was not worth within twenty-five per cent. of its former value; and that the greater part of his debtors had liquidated *his* claims by going into the *Gazette*!

Now, as people are beginning to learn wisdom, and are afraid to risk the bed from under them, the Legislature very kindly says that they shall have Limited Liability Companies, so that they can only lose the amount of money which they really embark; when perhaps, if they are gifted with second sight, or have good luck, they may make something; but at any rate *not be, as formerly, quite ruined.*

This is another grand mistake; and it is in fact

only pandering to the Bank of England, instead of putting an end to a Charter by which all the quicksands and dangers of business might be avoided, and commercial gambling put an end to for ever. This, however, would be too blessed a consummation of our hopes; and therefore, in its place, the wisdom of Parliament thinks to find an antidote, by creating a host of little monopolies, to swallow up the small and industrious traders, and to derange the whole course of business. Thus, for instance, we find a Candle Company with a million of capital—which means neither more nor less than making serfs of the small traders in this branch of business: and doubtless we shall soon find every trade equally interfered with. This will certainly be found to be legislating at the wrong end, unless it be wished to transform a great country into a very little one. There appears no other necessity for this Limited Liability Act, as it is well known a Royal Charter can always be obtained, to limit the liability of shareholders in any large undertakings of national importance. All that this nation requires is plain, straightforward dealing, at the fountains of its commerce; then all its streams will flow freely and profitably, without any extraneous and un-English protection. But if the Bank Charter is founded on falsehood; upon a promise to pay notes in gold, on demand, when it cannot do so without ruining the trade, and even the very respectability of the kingdom; the Limited Liability expedient will be in vain. The few respectable traders who may be left, will perhaps have a chance of being ruined more effec-

tually between the newly-created Limited Liability Companies and the Bank of England together; although these at no distant time must themselves certainly fall.

The injustice of Limited Liability Companies must be more apparent, when it is considered that this Act will empower a number of individuals to embark in business, in opposition to the regular Merchant or Trader: but that the risk of the stronger body is not nearly so great nor vital as the risk of the poorer individual; for if the Merchant or Trader fail (which he is most likely to do in consequence of the reckless trading of the opposing Company), he and his family are by the Bankruptcy laws stripped of every earthly thing which they possess, even to their very beds: but if the Company fail, its members are not liable to be called upon to pay one shilling more from their private properties than they have thought proper to embark in the concern: and this is in fact only the idle money they can afford to lose and scarcely care for. To extend this Limited Liability Act a little further would be, to declare that no one need pay his debts unless he thinks proper, and which ought to be the rider to the Act, to be consistent or fair.

This Limited Liability Bill ought therefore to be called, "An Act for the better enabling Adventurers to interfere with, and ruin, Established Traders, *without risk to themselves.*"

Before concluding this chapter, we will consider the fallacy into which most writers on the Currency run, when reasoning about the Bank of England's

circulation. They assume it to be about nineteen millions, by taking first the amount of notes issued, and deducting therefrom the amount of notes remaining in the till of the Bank's banking department. But *to see* what the circulation really is, we ought to look at the amount of securities held by the Bank, or in other words, the debtors of the Bank. Now it is very clear that the Bank held securities, in March, to the extent of nearly 45 millions; and it is equally clear that the Bank must have given value for these securities; and, therefore, if the Bank made only 24 millions of notes, they must have been issued a second time—that is, after they had been deposited in the banking department for safety, or for the convenience of the customers of the Bank. Then supposing that the Bank bought with these notes, in the morning, five millions of the Consolidated debt of the kingdom; the parties who sold this debt, and received this money, having probably no *immediate* use for it, send these notes, or a cheque of equivalent value, to their Bankers; and in less than five hours the money is again re-deposited in the till of the Bank as private deposits. But is it to be argued, that because these notes are re-deposited with the Bank, they are not circulated?—certainly not; for they are as much in circulation as if the proprietors of these notes had kept them in their own iron safe: they may be called for at a moment's notice; and it will be quite out of the power of the Bank to retain them: *ergo*, they are circulated. The circulation, therefore, must be measured, not by the quantity of paper money manufactured, but by the

many times that the same notes are employed; and this can be found only by looking to the amount of securities which the Bank holds. Here we will again refer to the *Gazette* of the 29th of March, 1856, wherein it appears that the Bank held securities as follows, say :—

Government Debt .....	£11,015,100
Ditto other ditto .....	3,459,900
Ditto Securities .....	11,951,006
Private ditto.....	18,425,297
	<u>£44,851,303</u>

Thus it is seen that the Bank was receiving interest on nearly 45 millions of notes, while at the same time the Bank's circulation was *called* less than 19 millions. He would be a clever man who could lend 45 millions of money, on mortgage of estates, where he had only 19 millions of money to carry out the operation! For a *security* implies the mortgage of something either of the Public Debt, or Bills of Exchange, or Shares in Railways, &c. We must therefore consider that the word circulation is quite a fallacy, if taken in the sense the Bank Directors wish to convey it: viz., as stated, thus:—

Notes issued .....	£24,221,825
Deduct Notes in till of Banking Department .....	5,836,745
	<u>£18,385,080</u>

and saying nothing about how often these same notes have been employed, and again re-deposited with the Bank. We must therefore consider the word circulation quite a fallacy, and nothing shews

*more clearly* that these notes are scarcely wanted for our internal trade, than the fact, that if they are paid away in the morning, they are always found in the till of the Bank before night, unless indeed this country owes the balance of trade to foreigners, when these notes must be paid in gold, and at the same time cancelled. By the same rule, if the balance is in favor of this country, neither French nor American notes, nor any sort of paper, would be deemed a satisfactory payment.

Great countries, like great merchants, and every prudent housekeeper, ought to have a reserve of capital to cover any unexpected requirements, or unforeseen accidents: but *paper cannot be capital; for of this sort of money the poorest countries have the greatest abundance.*

## CHAPTER III.

FROM the short history, in the two preceding chapters, of the operations of the Bank of England, we may perhaps arrive at the conclusion that this institution is now of no public service in the management of the currency; but that, on the contrary, the whole course of action of this Bank is *purely selfish*!

In past times, when England was more or less isolated: when England grew sufficient food for its population: when the trade of England was simply to supply manufactures to the rest of the world: this grievance was neither so apparent nor so great; for any convulsion in trade caused by over-issues of paper, was only temporary, and local in its effects.

Now, however, with the increased population of the kingdom, and under the alterations of its fiscal laws—the adoption of Free Trade in the place of heavy protective and prohibitive duties: the close contiguity and intercommunication of England with Europe, and even with the whole world, through the medium of steam vessels and locomotives: the increased wants of the people for foreign food and luxuries; together with the great rivalry by foreign manufacturers with ours:—we ought not to wonder that any alteration is required in this great Banking monopoly, but rather feel surprised that it has stood so long.

We need not then go into any argument about the injustice of monopolies in general, for the *prac-*

*tical evil* is so great, that it must sooner or later be self-evident that this Bank Charter is working—although insidiously, none the less surely—to the destruction of the credit, commerce, and manufactures of the kingdom.

This Bank Charter has entirely failed in its object, if that object were (what is at all times so desirable) to secure the very first principles of currency, viz.: an equal volume of money, and of an equal value, by which to regulate the value of all other property and merchandise: for we find from seven to eight millions of notes less issued when money is wanted to buy food, than when there is scarcely any employment for money. Thus, in the famine year of 1847, the issue was reduced to about twenty-one millions; whereas, in the previous year the issue had been twenty-nine millions. We find also a corresponding alteration in the *value* of money between the two years; and that one hundred pounds at one time would command as much interest as four hundred at the other. Neither was this state of the money market confined to the famine year of 1847; it was the same in 1826 and in 1837, likewise at other times, although with less intensity.

We find, too, that the additional issue, or the withdrawal of six millions of notes under this Bank system, will alter the value of property in the kingdom fully five hundred millions sterling. This was evidenced by the panic in 1847, when the public debt, railway property, as well as merchandise and house property, fell 20 per cent. upon the contraction of the circulation.

We find, also, that these notes raise the market-price of all property, and lead to immense speculation, when money is not required; thus throwing the balance of trade against this country: but that when money is wanted, to prevent the people from starving, it cannot be found. These Bank-notes, therefore, cannot be made a measure of value for anything; but, on the contrary, they produce perpetual fluctuations in the value of all property, and perplex the calculations of all business men, by their redundancy at one time, and their scarcity at another. We find, moreover, that this kingdom is taxed to the extent of one million per annum for the use of these notes.

We further find that, during the last five years, 20 millions more of bullion has been annually imported into these kingdoms, than when this Charter was renewed in 1844: and the probability is, that a still larger import of the precious metals is likely to take place, from the improved workings in Australia and California. We find, therefore, that the 14 millions of notes, which the Bank has permission to issue, without any bullion wherewith to pay them, can and ought to be based solely upon bullion; and that the false position of the Act of 1844, which made it imperative upon the Bank to pay its notes in gold, whilst it permitted their being issued without bullion or gold to pay them, can now be remedied. And we find that money, in the present state of the country, is scarcely wanted to carry on its *internal* trade, as nearly all this business is done by cheques and bills: that when money is really wanted, it

is to pay the balance of trade against this kingdom, created either by short supplies of food, war, or over speculation: that notes are of no use for these purposes, and would be immediately returned from the Continent in demand for gold: and lastly, that all sorts of gambling, and stock-jobbing companies, are started as soon as there are plenty of Bank-notes, or when the currency is, by their abundance, depreciated.

One specious advantage of these notes, unrepresented by gold, is, that they generally lead to high prices; but as it has been observed that high prices are an injury to the productive, and a tax upon the unproductive classes of the community, there is not much to be said on this head, particularly as high prices now benefit no one but the foreign producer: he indeed gets a larger per centage on the cost of production (and over and above what he has any right to expect) on the portion of food and luxuries now required by this kingdom, than in olden times.

Another virtue is, that a depreciated currency has enabled Chancellors of the Exchequer to reduce the interest on the national debt; an immoral act if the currency be debased solely for this purpose. But we will even suppose *this* operation to be political virtue and necessity: yet these changes have never taken place, without the foreigner coming in for a much larger share of the profit by over circulation, than that which the people of this country ever gained by it. The same reduction of interest can as easily be carried out by fair and legitimate means, when the financial state of the country admits of it.



Let the country, then, pay the Bank the fourteen millions, which the nation owes to it, and so cancel all obligation to renew this Charter in any form whatsoever.

There need be no great difficulty in this matter, when it is considered that the nation has found sixty or seventy millions of money to carry on the Russian war, now at an end; and that the people have submitted to fourteen millions per annum of extra and direct taxation, for that purpose. The difficulty in paying the Bank fourteen millions, is further diminished by the consideration that the capitalists of this country make loans to foreign governments to the extent of millions of money yearly, besides making investments in foreign railways, and in many other foreign speculations. These fourteen millions can be repaid to the Bank by contracting a loan; or by giving the Bank an equivalent in the Three per Cents., and so making a fixed, instead of a floating and, except by notes, unrepresented debt, as at present. But it is not necessary to repay all this money at once, nor would it perhaps be advisable to do so. Suppose the country should repay three millions yearly, upon the Bank withdrawing so much of its unrepresented issue: this would be a move in the right direction, and could derange nothing; for our financiers and capitalists talk about a loan of three millions as a mere trifle: *it certainly cannot make England poorer, to lend this sum to her own Government, than in the loaning of it to foreigners.*

It may be asked—Who is to make and give notes in exchange for the bullion that comes into England,

when this Charter is cancelled? This question can be easily solved by any of our Chancellors of Exchequer, when once their eyes are opened to the evils of the present system, and when the veil of prejudice is removed from their understandings. The Bank can make these notes; or Her Majesty's Mint can give notes in exchange for the bullion which it receives: either the one or the other of these ways might be decided upon; and to pay for the expense of the manufacture, a very small commission might be charged. The Mint is indeed the proper place for carrying on this business, and it would relieve the Bank of all the responsibilities attending the issue of paper.

It may be well to examine into the principles of the constitution of the Banks of Hamburg and Amsterdam. The former is nearly a century older than the Bank of England; and it has worked well, without producing the panics which have afflicted this kingdom. These Banks receive bullion, and give a receipt for it. This receipt passes as money; and when one merchant has to pay an account to another, so much of his bullion is transferred, without the intervention of a Bank-note. Upon considering the nature of the Bank of Hamburg, it may occur to the mind of a reflecting person to ask the question—why England, too, cannot get on without artificial money? Were the plan carried out, of having no notes issued, excepting those which are issued against bullion, there is no doubt but that this country would always have at command thirty or forty millions of gold more than it has at

present (this must please paperists as well as bullionists): but there is no denying that gold would be in greater demand during times of famine or war: *still the gold will be in the country*, available for these greater demands, without creating a panic when a little extra is wanted.

To conclude: if this country does not pay off its debt to the Bank, it can only be compared to an improvident man, who prefers lending money to his neighbours, instead of paying his own just debts. We are told that this nation has always thriven under the present system, and therefore there is no need of any change: but we must remember that the industry and ingenuity of the Saxon race will surmount almost any difficulties, however unjust and tyrannous such difficulties may be; and particularly so where progress and profit are the reward. The prosperity and greatness of the nation, then, can be no argument in favor of any abuse. By such reasonings, half the legislation of the past century must pass for nothing. England throve before the passing of hundreds of the most important Acts of Parliament. Should this Bank Charter continue for another ten years (for it cannot, under any circumstances, *last longer*), there is no knowing what mischief—what ruin—may befall the kingdom.

As soon as peace is thoroughly settled, we may expect speculations, and schemes of all kinds—the same as in 1825 or 1846, and pursued to even a more fatal extent! The knowledge that twenty or thirty millions of gold is coming yearly into this country, without the chance of being wanted, further than to

reduce the appreciable value of money next to nothing, will only increase the speculative mania, and there will be lots of companies started, with or without the Limited Liability principle; and even now a Russian Railway, an Omnibus Company, a Milk Company, and a Washing Company, are advertised! The new financial system of one or two of the Continental States cannot be carried on much longer; and when that system breaks down, we shall participate in the panic and ruin which will follow, and regret, when too late, not attending to a word in season: we shall find out with them, that *notes are not money, nor paper equal to gold*.

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